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'Brokers sit at the centre of all transactions – getting a greater participation from them in the state would help everyone'
Ben Dyson, assistant editor

MultaQa Qatar 2012

HOSTED BY Qatar Financial Centre Authority

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'Be careful of what the models say. Models are just one output; and models are wrong by definition'
Emmanuel Clarke, chief executive, PartnerRe Global

'If you own the first fax machine, it is fascinating but pretty useless until someone else owns one'
James Sutherland, chief executive, Qatarlyst

Osborne urges industry to play up its resilience

The insurance industry is not doing enough to tell its own success story in the face of adversity, according to panellists at the MultaQa Qatar conference.

Hiscox Bermuda chief executive Charles Dupplin told MultaQa delegates that UK chancellor George Osborne had recently complained to UK insurance trade body the Association of British Insurers about insurers' poor communication.

"George Osborne felt that the non-life industry was not communicating to politicians enough about how successful they have been," Dupplin said. "He was told that there haven't been any major bankruptcies and that all valid claims have been paid even in a filthy year like 2011."

The global insurance industry paid out over $100bn in natural catastrophe-related claims in 2011 without the buffer of investment returns to prop up underwriting results and in increasingly challenging economic conditions. Yet no company has failed, and the industry remains strongly capitalised.

The industry also weathered the financial crisis well, while banks floundered. No insurers – bar the exceptional case of AIG – have had to be bailed out by their governments. AIG's problems were mainly related to its non-insurance financial products division.

Dupplin: Insurers do not communicate their success well enough

'We can't expect GCC to unify soon'

"We cannot expect the GCC [Gulf Cooperation Council] to unify regulations in the next decade. It took Europe more than fifty years and two world wars to do the same thing," said SEIB insurance and reinsurance company's chief executive, Farid Chedid, at the sixth MultaQa Qatar conference.

The desire for something like a single market with a unified approach to regulation is popular with local and international businesses, particularly in the (re)insurance sector.

Improvements are being made around regulatory co-operation between the different Gulf states, said Chedid. "Not all countries here in the GCC have the same level of regulation but they are moving forward."

'It took Europe more than fifty years and two world wars to do the same thing'
Farid Chedid, SEIB

RETENTION

Qatar cedes half its premiums abroad

- Qatar finance minister's concern
- Soft market fuels drift to reinsurance

Qatar's minister of finance and economy has called for greater retention of reinsurance premiums in the state.

Addressing the sixth annual MultaQa Qatar conference on 12 March, His Excellency Yousef Hussain Kamal noted that a high level of premium generated in Qatar was being ceded to international reinsurers not based in the state. "We would like to preserve part of that reinsurance in the region," he said. Qatari insurers cede a rough average of 50% of their premiums to reinsurers.

The minister added that Qatar is aiming to boost its attractiveness to reinsurers, and urged MultaQa Qatar delegates: "We would like you to give us your recommendations and ideas to develop the market. I hope you will all have branches in Qatar."

The issue of whether insurers in Gulf Cooperation Council (GCC) countries insurers are passing too much risk to reinsurers was debated in a panel discussion later the same day.

One of the reasons for the perceived over-reliance on reinsurance is the soft market and the desire by many local reinsurance players to grow their businesses at all costs. "No one really looks at results," said Gulf Re chief executive Michael Gertsch.

"Future profits are high on our mind," added Munich Re head of Middle East and North Africa (MENA) region Andreas Pollman. He explained that MENA has vast potential as there could be as many as 500 million people living in the region.

SEIB insurance company chief executive Farid Chedid shared the view that local insurance carriers pass on a significant portion of their risks to reinsurers: "The reliance on reinsurance is a fact in the GCC and as long as reinsurance remains cheap this is not going to change."

> 'The reliance on reinsurance is a fact in the GCC and as long as reinsurance remains cheap this is not going to change'
> Farid Chedid, SEIB

MATCH OF THE DAY

Ritz Carlton vs Sharq Village

The Ritz Carlton in Doha, the new venue for MultaQa Qatar, was always going to have a tough time competing with the lavish Sharq Village, where the conference was held previously.

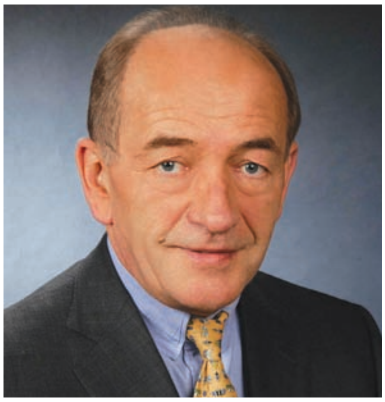
The initial impression was that the Sharq was more opulent, and had more of a distinctive Middle Eastern look and feel, whereas on stepping into the Ritz Carlton's lobby and its rooms, you could have been anywhere in the world.

But despite the Sharq getting in the early points, delegates' tune soon changed when they saw the Ritz Carlton's conference facilities.

The coffee/meeting area and the Business Bazaar were a little cramped last year in the Sharq, but the large room allocated to them in the Ritz Carlton gave exhibitors and delegates room to breathe in between sessions.

In short, Sharq for holiday, Ritz Carlton for business.

RITZ CARLTON 2, SHARQ VILLAGE 1



QUESTION TIME WITH ...
MANFRED SEITZ

How have you enjoyed MultaQa?
MS: MultaQa is a very interesting conference. It is my second time here and it is a good mix of high-level speakers.

You sat on a panel on the second day. What was discussed?
MS: We talked about the international reinsurance situation and the prospects for the reinsurance industry currently and what needs to be done to make the industry more interesting in terms of earnings and being a proper industry for the region and elsewhere.

What was the main conclusion from that panel discussion?
MS: That reinsurers must explain their product better. Reinsurers must also strive to get a proper price for their product in order to fulfil their function.

What have reinsurers learnt from the catastrophes of 2011?
MS: I think the big lesson there was that scenarios that are not on your radar screen can happen and they can accumulate over the year. All the catastrophes are what I call class C catastrophes, which are not the ones the top catastrophe reinsurers would normally expect. We have to watch out for that, we have to ask for proper prices and we have to watch the aggregation of loss.

Manfred Seitz is managing director of Berkshire Hathaway Group's international reinsurance division

'Only 7% of business in Qatar is brokered'


BEN DYSON

There is no denying that Qatar is attractive to global (re)insurers.

The tax rate, the business-friendly yet robust regulations, the access to sought-after local business – all are key strengths of the environment the Qatar Financial Centre is offering. The final point is a key differentiator from the QFC's rival financial centre in Dubai.

But perhaps there needs to be a greater focus on the broker. One statistic from the conference highlighted a weakness in Qatar's otherwise compelling offering. Lloyd's international markets director José Ribeiro showed that while the GCC region in general is well served by brokers, only 7% of business in Qatar is brokered.

This compares with 50% in the United Arab Emirates and Bahrain – Qatar's main rivals for the status of preferred regional hub for global (re)insurers – and 47% in Saudi Arabia, the region's largest economy.

A more solid presence from global brokers in the QFC could prove a strong pull.

As well as being intermediaries, brokers are also mediators. And global brokers have a lot of modelling and analytical firepower.

Brokers sit at the centre of all transactions, and so getting a greater participation from them in the state would help everyone.

Arig chief: Takaful must 'get its act together'

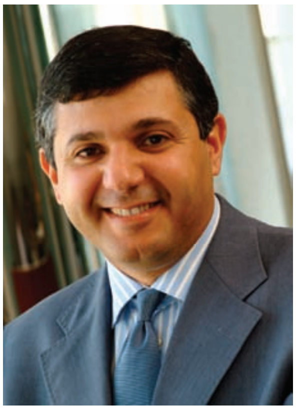
- Targeting previously uninsured is key
- MENA region ripe for development

BY BEN DYSON
ben.dyson@nqsm.com

Takaful – insurance that complies with Islamic Sharia Law – is failing to reach previously uninsured policyholders, according to Arig chief executive Yassir Albaharna.

Takaful is eating into the market share of conventional insurance products, Albaharna told delegates at the sixth annual MultaQa Qatar conference in Doha.

Albaharna said that rather than expanding the insurance market in the Gulf Cooperation Council region, "Takaful should be attracting the previously uninsured population. This unfortunately has not happened," he said. "What has happened, on the contrary, is a cannibalisation of conventional insurance into Takaful."



'What has happened is a cannibalisation of conventional insurance into Takaful'
Yassir Albaharna, Arig

He added that penetrating the uninsured segment of the region's population would help ensure Takaful's success. "It is important for Takaful to get its act together and really try to segment, sub-segment and target this previously uninsured population."

Albaharna also noted that insurance penetration across the MENA region continued to be low, at around 1.1%. But he contends that the region has everything going for it, including strong GDP growth, a growing middle class and a location between east and west.

"There is no reason why the insurance penetration should not be within the 8%-8.5% area, which is the average in the large industrialised nations," Albaharna said. "It just needs more stimulus, more patience and more development from the insurance companies."

SAY WHAT?

***'It is all very well saying Lloyd's welcomes brokers and likes to do business with brokers,** but some of the brokers in this room would probably say: it is very difficult'*

Lloyd's director of international markets José Ribeiro

'In the future we need regulators who represent the whole GCC'

Walid Sidani, Abu Dhabi National Insurance Company

CATASTROPHES

2011 cat losses 'not an aberration'

- Reinsurers must cut 7.5 points from COR
- Rising cats provide opportunity

The onslaught of natural catastrophe losses may be part of a long-term trend rather than a one-off, according to Insurance Information Institute president Robert Hartwig.

But he added that the rising level of disasters presents an opportunity for reinsurers to offer more protection to cat-prone areas.

"Last year may have been an aberration for 2012 but it probably wasn't for 2020 or 2030," Hartwig told delegates at the MultaQa Qatar conference.

"We see there is more rapid economic development. The number of natural catastrophes around the world seems to be rising and the economic and insured losses associated with these are both trending upwards."

The 2011 catastrophes caused $380bn of economic losses, of which around $110bn were insured. Hartwig said the catastrophe burden cut global GDP by half a percent.

'What has happened is a cannibalisation of conventional insurance into Takaful'
Robert Hartwig, Insurance Information Institute

"It is the first year ever that we can actually attribute a significant reduction in global GDP to natural catastrophes," he said, adding that the effect was equivalent to a $10 per barrel increase in the price of oil.

"We are rewriting the economic and financial history of catastrophe losses literally as we speak," Hartwig said. "Over the last two years we have added five events to the list of the most expensive world insured losses. That is an extraordinary pace and one that is virtually unprecedented."

He added, however, that rising disasters were an opportunity as well as a risk for the global reinsurance industry, given that the insured losses were far lower than the economic losses. "Insurers and reinsurers are the world's shock absorbers. But we only absorbed about a quarter of the shock last year."

QUESTION TIME WITH ... EMMANUEL CLARKE

What lessons have we learnt from 2011?

EC: 2011 was an exceptional year for the reinsurance industry. It was an unprecedented year for natural catastrophes – what we call a 'black swan' year. Most of these catastrophes came from outside the USA, which poses the question of whether we have assessed diversification well enough.

How can Qatar benefit from the diversification of risk?

EC: If you look out the window, there are all sorts of construction sites here – billions or trillions of dollars worth. These construction projects need insurance and reinsurance. By creating development, they bring wealth to people. And they insure and they have assets they like to insure. With the infrastructure and the penetration of personal lines, this is a really dynamic area.

What is the biggest challenge for the region?

EC: In the short term, it is the level of rates and about making sure the level of profitability is sustainable. There is a growing amount of dollar capacity stationed here so there is greater supply than demand. But there is a lot of risk out there and the size of risk is just enormous. When there is no loss, it is fine. But this area has to be sustainable long term.

Emmanuel Clarke is chief executive of PartnerRe Global